

AR35

Annual Report 1970

RAPID DATA Systems & Equipment Ltd.

RAPID DATA SYSTEMS & EQUIPMENT LTD
AND SUBSIDIARY COMPANIES



Officers

ERIC ALAN (CLIVE) RAYMOND, President

WILLIAM J. SMITH, Vice President, Secretary treasurer

HECTOR T. MARSHALL, Vice President

Directors

BRYAN M. BENITZ

Director of Wisener and Partners Co. Ltd.

JOHN C. STRADWICK

President Simcoe & Erie General Insurance Co. Ltd.

HECTOR T. MARSHALL

Vice President

Chief marketing officer of the Company

RICHARD C. W. MAURAN

Chairman of the Board, Harvey's Foods Ltd.

Chairman of the Board, Grissol Foods Ltd.

ERIC ALAN (CLIVE) RAYMOND

President

Chief executive officer of the Company

WILLIAM J. SMITH

Vice President, secretary treasurer

Chief financial officer of the Company

J. W. NEVIL THOMAS

Director, Midland, Osler Securities Ltd.

Transfer Agents

Guaranty Trust Company of Canada

366 Bay Street, Toronto, Ontario.

427 St. James Street West, Montreal, Quebec.

Auditors

McDONALD CURRIE & CO.

Chartered Accountants

Bankers

Canadian Imperial Bank of Commerce

25 King Street West, Toronto.

Offices 129 Carlingview Dr., Rexdale, Ont., 330 Rue St. Roch, Quebec, Que.
750 Lucerne Rd., Town of Mount Royal, Montreal, Que., 1794 Courtwood Cresc.,
Ottawa, Ont., 367 Main St. W., Hamilton, Ont., 513 Bradford St., Winnipeg, Man.
1933 Tenth Ave. S. W., Calgary, Alta., 46 East 6th Ave., Vancouver, B. C.



To the Shareholders:

During the year ended June 30, 1970, your company has made significant progress toward creating a strong base for future growth and expansion. Efforts made in 1970 have resulted in the establishment of an overseas company to serve the expanding United Kingdom and European markets for business systems and equipment; the organization of a complete line of credit card identification equipment and accessories and a reorganization and upgrading of our domestic branch operations.

Management has carried out a thorough study of all operations of the company, its products and of the markets toward which its efforts are directed. As a result, areas of major profit potential have been identified and programs to intensify marketing activity within these areas have been initiated. Your directors have concluded that the most outstanding opportunities for growth lie in three sectors: in breaking into product and market areas dominated by one or two large corporations; in offering complete packages of equipment, supplies and services in areas of potential rapid growth; and marketing products directly or through other organizations on a world-wide basis. There will occur continuous and aggressive marketing of current product lines where they fit into the above concept, with the phase-out of lower margin, unrelated product lines.

Following this approach, your company is now placing increasing emphasis on the marketing of postage meters, credit identification, data collecting and retrieving systems.

Sales for the twelve months under review were \$3,543,377. compared with \$2,331,648. last year. Despite this substantial increase in revenues, a net loss of \$90,394. was sustained owing to a number of contributing factors.

Apart from the sharp general decline in business activity in Canada and the U.S., and a larger than expected inventory write-off and reserve, three specific factors adversely affected operations and profitability during the 1970 fiscal year.

The acquisition of Cellulose Products Cor-

poration of Southgate, California, although of great significance to the long-term expansion of Rapid Data in the U.S., has, in the short run, been extremely disappointing. Not only did Cellulose operate at a deficit in the fourth quarter of the year, but previously reported earnings included in your company's nine months results had to be restated to reflect an actual loss suffered by Cellulose during that period. Substantial managerial changes have since been made in this subsidiary.

An external factor affecting one of the most profitable areas of Rapid Data's operations, namely the postage meter business, was the prolonged dislocation of the postal services owing to widespread, intermittent work stoppages across Canada.

In the spring of the current year the company acquired all the outstanding shares of Haig Printing and Office Supplies Limited and its wholly-owned subsidiary, Haig Business Forms Ltd. Haig is a long-established, Toronto-based private company engaged primarily in the printing of continuous business forms. Its acquisition represented a natural development in the continuing expansion of your company's business systems and equipment activities.

Although a profitable operation, this year's results of Haig fell short of expectations. This was due mainly to overall economic conditions which resulted in lower profit margins throughout the business forms and printing industry.

Recent Developments

Earlier this year the company signed a long-term agreement with Marsland Engineering Limited, a wholly-owned subsidiary of Leigh Instruments Limited. The agreement covers the manufacture and distribution of new products in the growing market for credit card imprinting and reading devices. Under the agreement, Rapid Data has secured exclusive worldwide distribution rights to the products, while Marsland will be the exclusive manufacturer.

In this connection, the company has already obtained orders valued in excess of \$250,000 for an imprinter covered in

the agreement. A substantial part of this amount comes from the sale of several thousand units to the Government of Quebec for its medicare plan.

In April, 1970, Rapid Data completed the acquisition of Cellulose Products Corporation of Southgate, California. Cellulose is a manufacturer and distributor of credit cards and imprinting machines and also provides an embossing service to its customers. This acquisition was made for Rapid Data shares and involved no cash outlay. While Cellulose suffered a material loss during the year, your management maintains its belief in the viability and profit potential of this subsidiary.

In October, 1970, the company in partnership with a large U.K. merchant bank, established its first European operation, Rapid Data Systems International. Based in the greater London area, the British company is engaged in the distribution of Rapid Data's systems and equipment in the United Kingdom and, through agents, in Europe. It is headed by the former president of a well-known international manufacturing and marketing organization, who is assisted by two other senior officers of the same company. It is anticipated that the overseas operations of this U. K. enterprise will contribute increasingly to your company's earnings in the near future.

During the year under review an agreement was reached with a subsidiary of Nissho-Iwai Co. Ltd., Tokyo, granting it an exclusive sub-franchise for the sale of Randomatic equipment in Japan. Prospects of good earnings from this arrangement are promising and it is hoped that the venture will prepare the ground for a penetration by your company of the Japanese and Far Eastern markets for a number of its other products.

New Products

In September of the current year Rapid Data obtained exclusive distribution rights in Canada, the United Kingdom and all of Europe for the Data Card series 1500 credit card embosser. This machine manufactured by Data Card Corporation, an affiliate of Data Products Corporation,

incorporates an advanced design concept which permits embossing directly from magnetic tape. It operates at 1500 cards per hour, a rate significantly faster than any comparable equipment on the market. This franchise is noteworthy inasmuch as it completes a package of technically advanced credit identification and data collecting equipment not offered by any other single manufacturer.

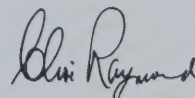
Outlook

It is management's opinion that the prospects for Rapid Data's long-term growth are excellent. Inroads now being made into the vast U.S. and overseas markets should bolster earnings in the future and contribute toward the company's development into a major international distributor of postage meters and credit identification and data collection packages.

With changes made and the general expectation of an upturn in business activity in 1971, we look forward to an increase in sales and better earnings for the next fiscal year.

On behalf of the directors I wish to welcome to our organization the executives and staff of the newly-acquired subsidiaries. I also take this opportunity of extending the board's sincere thanks to all employees for their contributions to the company's progress. It is my firm belief that their efforts will continue to play an important part in the growth of the company.

On behalf of the board,



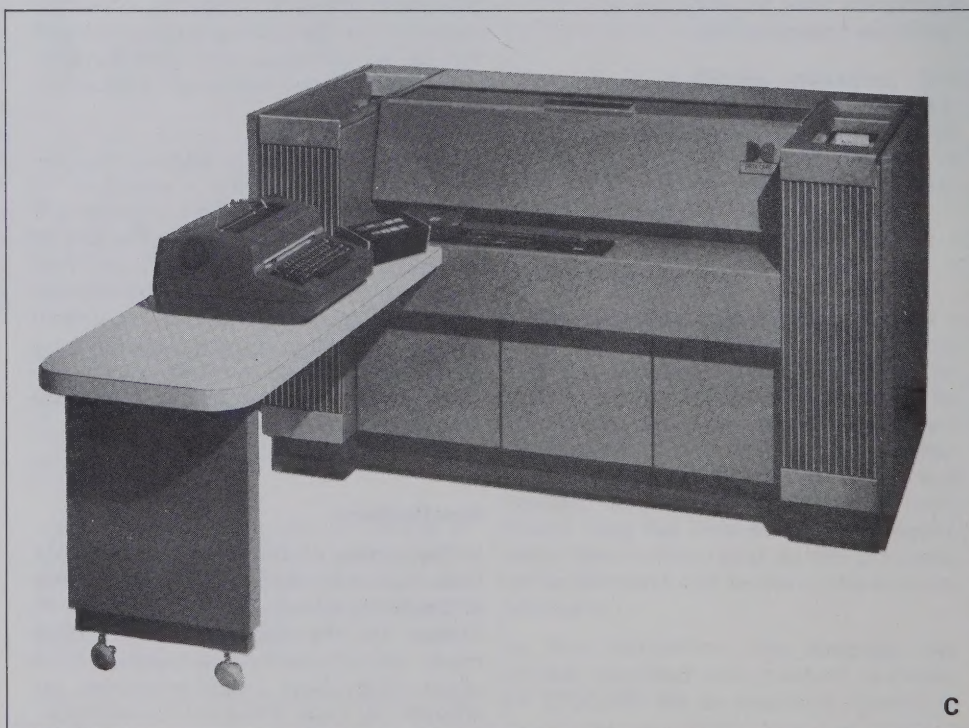
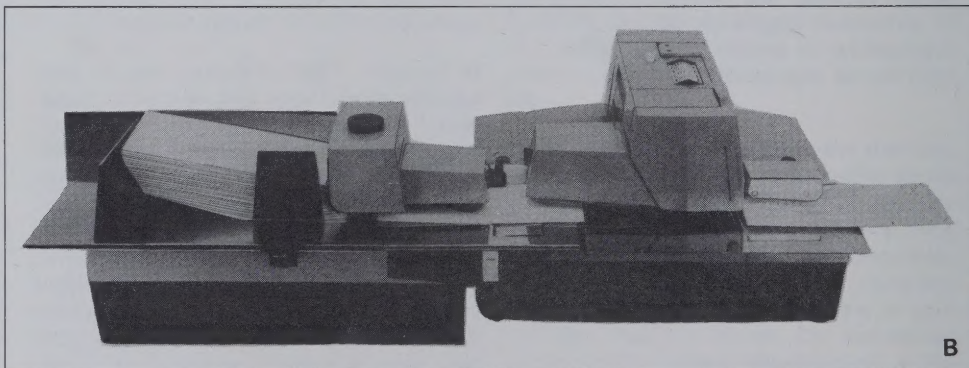
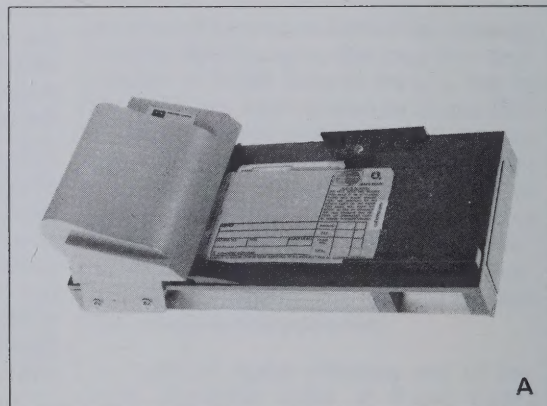
Clive Raymond,
President.

**RAPID DATA SYSTEMS & EQUIPMENT LTD
AND SUBSIDIARY COMPANIES**

MODEL 520 CREDIT/IDENTIFICATION CARD IMPRINTER is engineered to industry wide imprinting standards to ensure maximum document acceptance in automated systems. The 520 accommodates credit cards for varying standard sizes and can be supplied in a variety of formats according to customer applications.

NEOPOST 505 POSTAGE METER seals, stamps and labels all classes of mail at 5,000—6,000 per hour. An automatic high value cut off button ensures against stamping mistakes while its completely detachable meter facilitates credit renewal. The 505's rugged construction and complete service capability combine to promote optimum mailroom efficiency.

DATA CARD 750 EMBOSSER is a low-cost system for embossing and encoding all standard size plastic cards. The 750 operates from typewriter keyboard, punch cards, tape cassette or magnetic tape at up to 750 cards per hour. Models are available for up to six lines of embossing with 30 characters per line. With its flexibility of input and high performance capability the 750 provides exceptional efficiency in embossing operations.

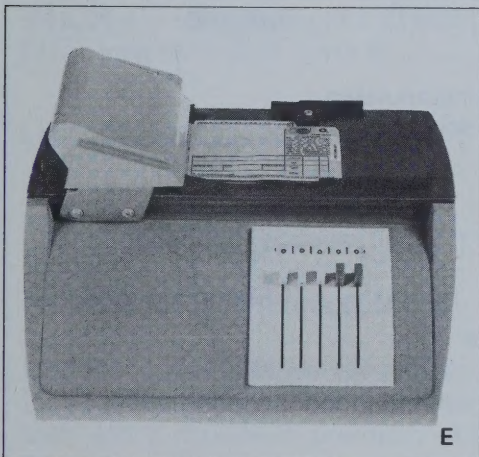


A — MODEL 520 CREDIT/IDENTIFICATION
CARD IMPRINTER
B — NEOPOST 505 POSTAGE METER
C — DATA CARD 750 EMBOSSE

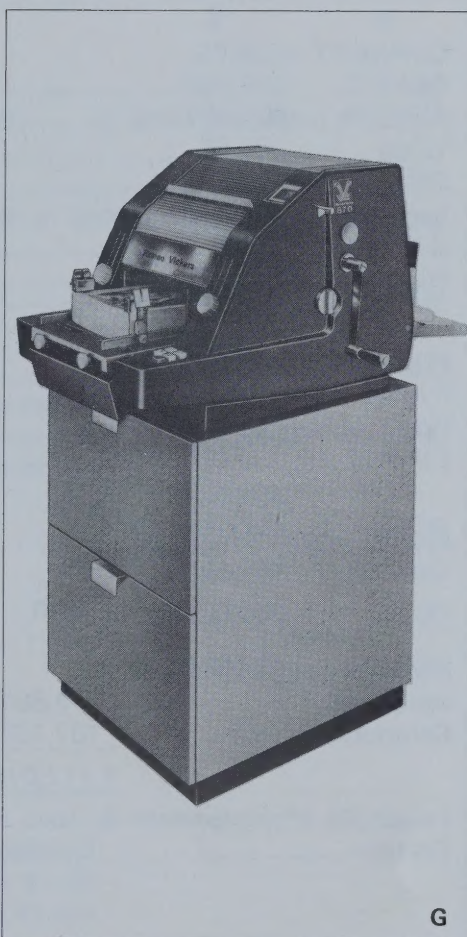
**RAPID DATA SYSTEMS & EQUIPMENT LTD
AND SUBSIDIARY COMPANIES**



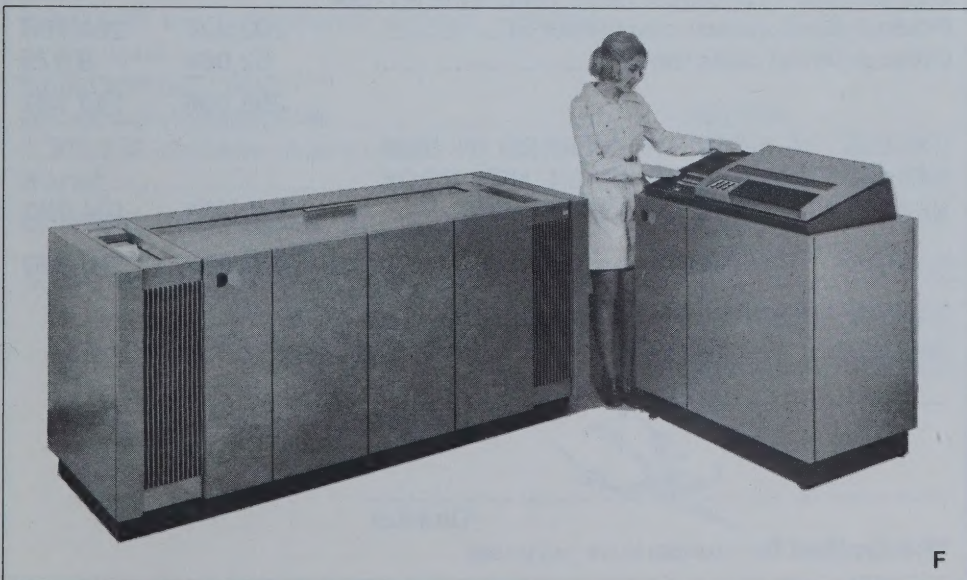
D



E



G



F

RANDOMATIC DATACODE is a refinement of the Randomatic electro-mechanical information retrieval system which incorporates a visual display panel to ensure accuracy of data selection. Information stored in Randomatic trays can be automatically sorted and cross-referenced by 30 different characteristics and can be group selected in an instant. Datacode's flexibility makes it adaptable to a wide range of applications in business, government and education.

MODEL 550 IMPRINTER has all the features of the Model 520 plus the capability to print dollar amounts of purchase at the point of sale.

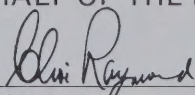
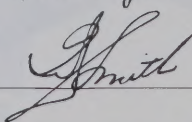
DATA CARD 1500 EMBOSSE speeds embossing operations at up to 1500 cards per hour. Operating from a magnetic tape input, the 1500 is particularly suited to larger issuers of credit cards and for providing service bureau facilities.

RONEO 870 COPY DUPLICATOR incorporates push button operating efficiency and fully automatic inking. Other features include: graduated speed control (up to 8,000 copies per hour); simplified stencil application; and adjustment; and automatic production cut-off when duplicating is completed.

D — RANDOMATIC DATACODE
E — MODEL 550 IMPRINTER
F — DATA CARD 1500 EMBOSSE
G — RONEO 870 COPY DUPLICATOR

**RAPID DATA SYSTEMS & EQUIPMENT LTD
AND SUBSIDIARY COMPANIES**

**Consolidated
Balance Sheet**
as at June 30, 1970

ASSETS			1970	1969
			\$	\$
CURRENT ASSETS				
Cash			5,611	7,937
Accounts receivable (note 2).....				
Trade			1,073,890	*716,021
Other (note 3)			197,442	42,128
Inventory—at the lower of cost or net realiz- able value			1,374,726	981,050
Prepaid expenses.....			70,756	*39,050
			<u>2,722,425</u>	<u>1,786,186</u>
LONG-TERM RECEIVABLES				
Postage meter contracts (note 4).....			251,864	72,473
Due from supplier (note 2).....			50,000	—
Other.....			38,502	—
			<u>340,366</u>	<u>72,473</u>
FIXED ASSETS (note 8)				
	Cost	Accumulated depreciation		
	\$	\$		
Machinery and office equipment	979,881	530,151	449,730	74,738
Computer software	137,137	18,464	118,673	93,690
	<u>1,117,018</u>	<u>548,615</u>	<u>568,403</u>	<u>168,428</u>
Leasehold improvements—at cost, less amor- tization			15,556	602
			<u>583,959</u>	<u>169,030</u>
DEFERRED CHARGES LESS AMORTIZATION				
Product development costs (note 5).....			202,938	204,708
Other deferred costs (note 6).....			52,068	8,079
			<u>255,006</u>	<u>212,787</u>
EXCESS OF COST OF SHARES IN SUB- SIDIARY COMPANIES OVER NET BOOK VALUE AT DATE OF ACQUISITION				
			<u>742,201</u>	<u>154,920</u>
			<u>4,643,957</u>	<u>2,395,396</u>
SIGNED ON BEHALF OF THE BOARD				
				
			Director	
				
			Director	
* Reclassified for comparative purposes				

**RAPID DATA SYSTEMS & EQUIPMENT LTD
AND SUBSIDIARY COMPANIES**

LIABILITIES	1970	1969
	\$	\$
CURRENT LIABILITIES		
Bank advances (note 2).....	490,433	309,654
Accounts payable and accrued liabilities.....	794,575	567,752
Income taxes.....	37,216	—
Current portion of long-term debt.....	100,358	7,260
	<u>1,422,582</u>	<u>884,666</u>
DEFERRED REVENUE		
Postage meters (note 4).....	55,390	18,409
LONG-TERM DEBT		
8% Notes, Series A (notes 7 and 11).....	304,000	688,000
7% convertible subordinated notes due September 6, 1974.....	195,000	200,000
Non-interest bearing note payable, repayable in quarterly instalments of \$12,500.....	150,000	—
Other long-term debt (note 8).....	190,745	8,990
	<u>839,745</u>	<u>896,990</u>
Less: Current portion	100,358	7,260
	<u>739,387</u>	<u>889,730</u>
 SHAREHOLDERS' EQUITY		
CAPITAL STOCK (notes 9 to 13)		
Authorized—		
200,000 6% cumulative convertible preferred shares redeemable at their par value of \$7.25 each and a maximum premium of \$0.45 per share		
5,000,000 common shares without nominal or par value		
Issued and fully paid—		
200,000 preferred shares.....	1,450,000	—
1,305,738 common shares (1969 - 1,184,000 shares).....	2,106,634	1,450,434
CONTRIBUTED SURPLUS.....	1,575	1,575
DEFICIT.....	(1,131,611)	(849,418)
	<u>2,426,598</u>	<u>602,591</u>
	<u>4,643,957</u>	<u>2,395,396</u>

**AUDITORS' REPORT
TO THE SHAREHOLDERS**

We have examined the consolidated balance sheet of Rapid Data Systems & Equipment Ltd. and subsidiaries as at June 30, 1970 and the consolidated statements of earnings, deficit and source and use of working capital for the year then ended. Our examination of the financial statements of those companies of which we are auditors included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the report of the auditors who have examined the financial statements of a U. S. subsidiary.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at June 30, 1970 and the results of their operations and the source and use of their working capital for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

McDONALD CURRIE & CO.
CHARTERED ACCOUNTANTS

Dec. 11, 1970.

RAPID DATA SYSTEMS & EQUIPMENT LTD
AND SUBSIDIARY COMPANIES

**Consolidated Statement
of Earnings**

for the year ended June 30, 1970

	1970	1969
	\$	\$
SALES	3,543,377	2,331,648
COST OF SALES	<u>1,611,817</u>	886,354
GROSS PROFIT	1,931,560	1,445,294
SELLING AND ADMINISTRATIVE EXPENSES (includes \$15,370 bank interest in 1970; 1969 — \$33,546)	<u>1,829,636</u>	<u>1,119,538</u>
	101,924	325,756
OTHER (INCOME) AND EXPENSE		
Remuneration of officer-directors	48,333	54,722
Interest on long-term debt	64,051	78,004
Profit on purchase of Series A notes	(53,425)	(49,111)
Depreciation and amortization of leasehold improvements	84,658	22,395
Amortization of product development and other deferred costs (notes 5 and 6)	<u>63,131</u>	<u>30,323</u>
	206,748	136,333
	(104,824)	189,423
PROVISION FOR (REDUCTION OF PRIOR PERIOD'S) INCOME TAXES	<u>(14,430)</u>	68,000
EARNINGS (LOSS) FOR THE YEAR BEFORE EXTRAORDINARY CREDIT	(90,394)	121,423
EXTRAORDINARY CREDIT		
Reduction of income taxes on application of loss of a prior period	—	68,000
NET EARNINGS (LOSS) FOR THE YEAR....	<u>(90,394)</u>	<u>189,423</u>
EARNINGS (LOSS) PER SHARE		
	1970	1969
	Cents	Cents
Earnings (loss) before extraordinary item	<u>(10.74)</u>	<u>10.70</u>
Extraordinary credit	—	5.99
Net earnings (loss) for the year	<u>(10.74)</u>	<u>16.69</u>

Earnings (loss) per share is computed on a weighted average of the number of shares outstanding during the year, and after preferred dividends.

RAPID DATA SYSTEMS & EQUIPMENT LTD
AND SUBSIDIARY COMPANIES

**Consolidated Statement
of Deficit**
for the year ended June 30, 1970

	1970	1969
	\$	\$
BALANCE—BEGINNING OF YEAR	849,418	1,016,541
Net earnings (loss) for the year.....	(90,394)	189,423
	<u>939,812</u>	<u>827,118</u>
Expenses relating to the issue of capital stock	167,963	22,300
Dividend on preferred shares	<u>23,836</u>	<u>—</u>
	<u>191,799</u>	<u>22,300</u>
BALANCE—END OF YEAR.....	<u><u>1,131,611</u></u>	<u><u>849,418</u></u>

RAPID DATA SYSTEMS & EQUIPMENT LTD
AND SUBSIDIARY COMPANIES

Consolidated Statement
of Source and Use
of Working Capital
for the year ended June 30, 1970

	1970	1969
	\$	\$
SOURCE OF WORKING CAPITAL		
Net earnings (loss) for the year	(90,394)	189,423
Items not affecting working capital—		
Depreciation and amortization of leasehold improvements	84,658	22,395
Amortization of product development and other deferred costs	63,131	30,323
Profit on purchase of Series A notes	(53,425)	(49,111)
Provided from operations	3,970	193,030
Increase in deferred revenue	36,981	18,409
Issue of capital stock	1,751,200	510,000
Proceeds on sale of fixed assets	71,817	—
Net working capital, at dates of acquisition, of subsidiaries acquired during the year.....	121,123	—
Issue of 7% convertible subordinated notes	—	200,000
	<u>1,985,091</u>	<u>921,439</u>
USE OF WORKING CAPITAL		
Decrease in non-interest bearing note and other long-term debt	63,235	8,104
Purchase of Series A notes	330,575	112,889
Long-term receivables	229,393	72,473
Costs of capital stock issues	167,963	28,179
Costs of subsidiaries acquired	473,889	9,042
Product development and other deferred costs	89,272	166,601
Additions to fixed assets	208,605	40,352
Dividend on preferred shares	23,836	—
Repayment of advances from shareholders	—	16,856
	<u>1,586,768</u>	<u>454,496</u>
INCREASE IN WORKING CAPITAL	<u>398,323</u>	<u>466,943</u>
WORKING CAPITAL — BEGINNING OF YEAR	<u>901,520</u>	<u>434,577</u>
WORKING CAPITAL — END OF YEAR	<u>1,299,843</u>	<u>901,520</u>

**RAPID DATA SYSTEMS & EQUIPMENT LTD
AND SUBSIDIARY COMPANIES**

**Notes to Consolidated
Financial Statements
for the year ended June 30, 1970**

1. PRINCIPLES OF CONSOLIDATION

a) These financial statements include the accounts of Rapid Data Systems & Equipment Ltd. and its subsidiaries. These are as follows:

- i) R. D. M. Limited
- ii) Rapid Data Computer Services (Hamilton) Limited
- *iii) Cellulose Products Corporation
- *iv) Haig Printing and Office Supplies Limited

Earnings from those subsidiaries acquired during the year have been included in the consolidated statement of earnings from dates of acquisition.

* Acquired during the year.

b) The accounts of Cellulose Products Corporation, a United States subsidiary, were converted at rates approximating those existing at the year end.

2. SECURITY FOR BANK ADVANCES

Accounts receivable of \$1,199,009 and shares of a subsidiary company have been pledged as security for bank advances of \$480,653.

3. ACCOUNTS RECEIVABLE — OTHER

These include \$59,666 due from directors and officers (1969 — \$15,099).

4. POSTAGE METER CONTRACTS

These are accounted for by using the present value method, whereby the amounts to be received over the life of the contracts are brought into income at their present value in the year the contracts are made. The discount rate used in determining present value is 8-1/2 %.

5. PRODUCT DEVELOPMENT COSTS

These consist of:

a) The unamortized balance of \$151,004 for salaries, travel expenses and other marketing costs related to the launching of new products in a prior period. These costs are being written off at approximately 20% per year.

Expenses of this nature which are presently incurred are charged against earnings.

b) Preoperating and developmental expenses of a U. S. subsidiary relating to the establishment of credit card service centres and the development of credit card verification equipment of \$51,934. These costs have not been amortized. Management expects to recover such expenses through successful operations in the future.

6. OTHER DEFERRED COSTS

These consist principally of moving costs, and employee placement fees and relocation costs, and are being amortized at various rates not less than 20 % per annum.

7. 8 % NOTES, SERIES A

a) These notes mature on December 31, 1973 and are secured by a first fixed charge on all the issued and outstanding capital of R. D. M. Limited, a wholly-owned subsidiary, and a first floating charge on all of the other assets and undertaking of the company. The floating charge does not prevent the company from carrying on its business in the ordinary course or from entering into certain specified transactions.

b) The trust deed provides from the establishment of a sinking fund for the redemption of Series A notes. Sinking fund requirements for 1970 and 1971 have been met. The remaining requirements for 1972 and 1973 are \$4,000 and \$300,000 respectively.

8. OTHER LONG-TERM DEBT

This consists of:

6% note repayable in monthly instalments of \$1,210 (including interest), secured by machinery and equipment costing approximately \$158,620 (\$123,668 U. S.).	1970 \$ 127,378	1969 \$ —
7% note repayable in monthly instalments of \$930 (plus interest) (\$13,542 U. S.).	13,948	—
Equipment purchase contracts (\$33,310 U. S.).	34,307	—
Leases payable	15,112	8,990
	<u>190,745</u>	<u>8,990</u>

9. AUTHORIZED CAPITAL STOCK

Under by-law confirmed by Supplementary Letter Patent dated December 18, 1969 the authorized capital of the company was increased by the creation of:

- a) 3,000,000 additional common shares
- b) 200,000 6% cumulative convertible preferred shares redeemable at their par value of \$7.25 each and a maximum premium of \$0.45 per share.

10. CAPITAL STOCK ISSUED

the year 121,738 additional common shares were issued as follows:

**RAPID DATA SYSTEMS & EQUIPMENT LTD
AND SUBSIDIARY COMPANIES**

**Notes to Consolidated
Financial Statements
for the year ended June 30, 1970
—continued—**

- a) 50,200 shares for \$301,200 cash.
 - b) 1,538 shares on conversion of \$5,000 of 7% convertible subordinated notes.
 - c) 70,000 shares at \$5 per share (which was the market value at the time of the issue) in exchange for the outstanding shares of Cellulose Products Corporation.
- In addition 200,000 preferred shares were issued for cash of \$1,450,000.

11. DIVIDEND RESTRICTIONS

The provisions of the Trust Deed securing the 8% Notes, Series A, prohibit the payment of dividends on capital stock except out of the aggregate of:

- a) 75% of the consolidated net earnings (as defined) after December 31, 1967 on a cumulative basis, and
 - b) \$50,000
- provided that such payments will not reduce consolidated working capital or shareholders' equity (both as defined) below \$500,000 and \$100,000 respectively.

12. PREFERRED SHARES SINKING FUND

So long as the preferred shares are outstanding the company shall in each year commencing March 1, 1977 set apart for the purposes of purchase or redemption of preferred shares a sum equal to the lesser of:

- a) \$250,000
- b) 10% of its consolidated net income for the preceding fiscal year as defined in Supplementary Letters Patent after deducting certain specified dividends. However, the company shall not be required to use the sinking fund unless it is at least \$50,000.

13. RESERVATIONS OF CAPITAL STOCK

- a) Of the authorized and unissued common shares, 60,000 shares are reserved at a price of \$3.25 per share against conversion rights attached to the 7% convertible subordinated notes.
- b) The holders of preferred shares shall have the right at their option at any time up to but not after the close of business on December 1, 1976, to convert preferred shares into common shares in the capital of the company on the basis of one common share for each preferred share subject to certain adjustments should they become necessary. Until that date, the company is required to reserve out of its unissued common shares a sufficient number of shares to enable all of the preferred shares outstanding to be converted on the basis described above.
- c) Options have been granted to employees of the company to purchase 14,800 shares at \$6.50 per share, exercisable on or before December 31, 1973.

14. INCOME TAXES

Accumulated losses amounting to approximately \$850,000 are available to apply against future earnings for tax purposes.

15. LEASES

Annual rentals on real property leases which extend more than five years from June 30, 1970 approximate \$105,000. Such leases expire at varying dates before 1980.

16. EVENTS SUBSEQUENT TO JUNE 30, 1970.

- a) Dividends of \$43,500 were paid on the preferred shares in September, 1970.
- b) The company entered into an agreement whereby it subscribed for 49% of the outstanding shares in Rapid Data Systems International Limited, a U. K. company. The cost of this subscription was approximately \$48,000.
In addition, it agreed to guarantee a loan made to International of £ 60,000.
The company has the option to purchase additional capital stock of International commencing June 30, 1971. Also, the other shareholders in International may sell their shares to the company at a price based upon earnings of International, or convert such shares to common shares of the company. These options however are not available until December 31, 1974 and expire December 31, 1976.

17. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

The aggregate direct remuneration paid or payable by the company and its subsidiaries to the directors and the senior officers of the company (as defined by The Securities Act, 1966 of Ontario) amounted to \$87,769 for the year ended June 30, 1970.

Rapid Data Systems & Equipment Ltd. • 129 Carlingview Drive • Rexdale 605, Ontario